

CHAPTER 2 — EMPLOYER REPRESENTATIVE RESPONSIBILITIES

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200 Introduction

Each employer should designate a life insurance representative who is responsible for administering the group life insurance program. The representative can also be the WRS Agent. A representative is responsible for:

- Explaining eligibility, cost, enrollment procedures, and effective dates to new employees;
- Providing new employees with a *Group Life Insurance Brochure* (ET-2101) and *Life Insurance Application* (ET-2304), (refer to Subchapter 201 for an explanation of the *Life Insurance Brochure* (ET-2101));
- Performing a previous service check to determine when a new employee is eligible for life insurance coverage;
- Securing, auditing and maintaining applications and arranging payroll deductions;
- Submitting applications to ETF in a timely manner;
- Preparing, auditing and submitting monthly coverage reports; and
- Handling the different stages during the employment career of an employee, (refer to Subchapter 202 for a chart showing the different employee transactions, employer responsibilities and the reference chapter for more information).

201 *Life Insurance Brochure* (ET-2101)

This brochure:

- Describes the plans to the employee.
- Is the employee's certificate of participation. In addition, the application acknowledgment copy tells employees they are insured through MLIC.
- Is distributed by the employer representative to each eligible employee with the *Life Insurance Application/Cancellation/Refusal* (ET-2304).

202 Employee Transactions

STAGES DURING AN EMPLOYMENT CAREER	EMPLOYER REPRESENTATIVE RESPONSIBILITIES	CHAPTER REFERENCE
Employee is newly hired and/or begins participating in WRS.	<ul style="list-style-type: none"> • Provide Group Life Insurance Application and Brochure. • Wants Insurance <ul style="list-style-type: none"> a. Determine types of coverage available. b. Determine whether employee wants any optional coverage offered by the employer in addition to Basic coverage. c. Conduct a previous service check. d. Determine eligibility date. e. Have employee file application. f. Determine amount of insurance. g. Begin payroll deductions. • Does Not want Insurance <ul style="list-style-type: none"> a. Advise of Evidence of Insurability provisions. b. Have employee file refusal. 	<p>2</p> <p>3</p> <p>4</p> <p>4</p> <p>4</p> <p>4, 5, 6</p> <p>8</p> <p>8, 9</p> <p>7</p> <p>6</p>
Employee reaches age 30, 35, 40, 45, 50, 55, 60, 65 or 70.	<ul style="list-style-type: none"> • Advise of premium rate change. • Advise of premium ceasing at age 70 and how insurance is continued as an active employee. • Advise employee of Age 70 and Over Additional plan if available. 	<p>8</p> <p>3, 16</p> <p>3, 4</p>
Employee goes on unpaid leave or layoff (no termination of WRS participation).	<ul style="list-style-type: none"> • If employee is on medical leave, check whether employee's disability will qualify for waiver of premiums. • Notify employee of option to continue coverage through prepaid premiums. • Advise of conversion/continuation privileges if employee is not re-employed. 	<p>14</p> <p>5</p> <p>16</p>
Employee returns from leave or layoff.	<ul style="list-style-type: none"> • If coverage lapsed during the leave, provide an opportunity to reapply. • If a new plan becomes available during the leave, provide an opportunity to apply. 	<p>5</p> <p>4, 5</p>
Accidental loss of employee life, sight, and/or limb.	<ul style="list-style-type: none"> • Advise employee or next-of-kin of insurance provisions. • Provide proper forms for claim. 	<p>15</p> <p>15</p>
Employee terminates employment.	<ul style="list-style-type: none"> • Advise employee of continuation or conversion options. • Provide necessary forms. 	<p>16</p> <p>16</p>
Employee is considering retirement.	<ul style="list-style-type: none"> • Advise employee to contact ETF. 	<p>16</p>

203 Calculating Imputed Tax Liability

Employees whose total group term life insurance coverage under all employer-sponsored plans exceeds \$50,000 may have an additional income tax liability for “imputed income” (i.e., the value of coverage over \$50,000 as determined by the IRS). The imputed income is the difference between all premiums actually paid by the employee and the hypothetical premium set by the IRS for coverage over \$50,000. Imputed income must be reported as part of the employee's taxable earnings and is subject to social security and Medicare taxes as ordinary income, however, this imputed tax liability is not reportable for WRS purposes.

In cases where the employee pays all employee-required premiums, generally only a few highly insured, and/or older employees will be affected by this law. However, if the employer pays 100% of the Basic premium or otherwise contributes to the employee premium, or if employee-paid premiums are tax-sheltered through a Section 125 (“cafeteria”) plan, any employee with coverage over \$50,000 may be affected.

Effective July 1, 1999, the IRS premiums are:

<u>AGE*</u>	<u>COST**</u>	<u>AGE*</u>	<u>COST**</u>
Under 25	\$ 0.05	50-54	\$ 0.23
25-29	\$ 0.06	55-59	\$ 0.43
30-34	\$ 0.08	60-64	\$ 0.66
35-39	\$ 0.09	65-69	\$ 1.27
40-44	\$ 0.10	70 & over	\$ 2.06
45-49	\$ 0.15		

* At the end of the calendar year.

** Per \$1,000 of coverage for one month.

EXAMPLE: State employee age 47 receives annual wages of \$38,000 and pays all employee premiums for Basic, 100% Supplemental and one unit of Additional for a total life coverage of \$114,000.

A. Premium deducted:

Basic Coverage	\$38,000 @ \$0.13 per thousand = \$4.94 x 12 months =	\$ 59.28
100% Supplemental	\$38,000 @ \$0.13 per thousand = \$4.94 x 12 months =	\$ 59.28
Additional	\$38,000 @ \$0.18 per thousand = \$6.84 x 12 months =	\$ 82.08

Total Annual premium deducted: = \$ 200.64

B. IRS Premium for coverage over \$50,000:

\$114,000 - \$ 50,000 = \$64,000 @ \$0.15 x 64 = 9.6/mo. prem. costs
9.6 x 12 months = \$115.20

C. Imputed Income: B. – A.

= \$ 0.00

EXAMPLE: Local government employee age 62 receives annual wages of \$44,000 and the Employer pays 100% of Basic premium. Employee pays all premiums for 100% Supplemental and three units of Additional. Employee's total life coverage is \$220,000 for Basic, Supplemental and three units of Additional.

A. Premium deducted:

Basic Coverage	(Employer Paid)	\$ 00.00
100% Supplemental	\$44,000 @ \$0.53 per thousand = \$23.32 x 12 months =	\$ 279.84
Additional (3 units)	\$44,000 @ \$0.53 per thousand = \$69.96 x 12 months =	<u>\$ 839.52</u>

Total Annual premium deducted: = \$ 1,119.36

B. IRS premium for coverage over \$50,000:

$\$220,000 - \$50,000 = \$170,000 @ \$.66 \times 170 = 112.20/\text{mo. prem. Costs}$
 $112.20 \times 12 \text{ months:} = \$ 1,346.40$

C. Imputed Income: B. - A.

= \$ 227.04